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Goerke, John D.

Taxation

New York

1918

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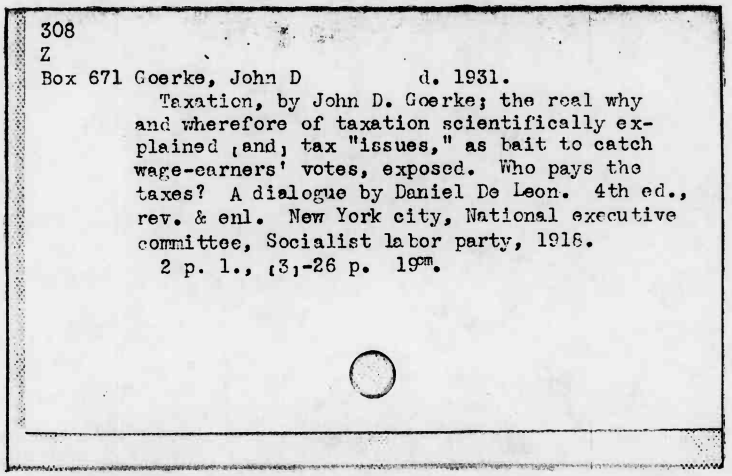

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TAXATION

By

John D. Goerke

and

Who Pays the Taxes?

By

DANIEL DE LEON

PRICE FIVE CENTS

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Fourth Edition
Revised and Enlarged

National Executive Committee
Socialist Labor Party
45 ROSE STREET, NEW YORK CITY

1918

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upon the capitalist class for a chance to earn a living as long as you allow that class to retain its autocratic hold on industry. If you would attain

THE RIGHT TO WORK

you must organize with the rest of the working class on proper lines. What kind of organization is needed, and what tactics should be pursued to end the serf-like conditions in the shops and industrial plants of the United States is pointed out and explained in

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The Weekly People, being the Party-owned mouthpiece of the Socialist Labor Party of America, aims at industrial democracy through the integral industrial union and revolutionary working class political action. It is a complete Socialist weekly paper, and sells at $1.50 a year, 75 cents for six months, 40 cents for three months. A trial subscription of seven weeks may be had for 25 cents. Send for a free sample copy.

TAXATION

By

John D. Goerke

The Real Why and Wherefore of Taxation Scientifically Explained. Tax "Issues," as Bait to Catch Wage-Earners' Votes, Exposed.

WHO PAYS THE TAXES?

A Dialogue

By DANIEL DE LEON

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Fourth Edition
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NATIONAL EXECUTIVE COMMITTEE
SOCIALIST LABOR PARTY
45 Rose St., New York City.
1918.

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PREFACE

The question of taxation is taken up in the literature of the Socialist Labor Party mainly for two reasons: (1) In a purely scientific spirit an analysis of the question is presented as a contribution to the better general understanding of the present economic and political system. (2) The Socialist Labor Party has a practical interest in the matter, not that there is anything in taxation that may be made use of to the ends of Socialism, but that the political atmosphere must be cleared of the blinding and confusing dust that is being constantly agitated about this subject. In brief then, the Socialist Labor Party's chief interest in the tax question is to be rid of it.

That taxation is both an economic and a political factor in our social system is obvious. The support of the government, with its armies and navies and its politicians is expensive. Taxation is the immediate means of providing for this expense. And thus taxation is unavoidably an economic matter. But, in applying taxation to the purpose of providing for governmental expenses, partiality is practised by the political administration. And, therefore, contending economic classes fight for political power, each determined by control of that power, to throw the burden of taxation upon the other. Thus taxation becomes a political matter, a matter that is being exploited politically out of all proportion to its deserts or its importance. It is an old and hackneyed question, and a question of which there is no possibility of a final solution under capitalism.

There can be no final solution of the problem of taxation under capitalism for the reason that so long as there are economic classes it will still remain to the interest of each capitalist class faction to throw more of the tax burden upon the other. And this state of affairs obtains regardless of what sort of tax adjustment may at any moment be in force. Taxation, then, is by its very nature a perennial issue among capitalist factions.

They have long made it a political issue. What is still more unfortunate, throughout all these campaigns the votes and political forces of the working class have been drawn from the real issue to be frittered away in the interests of these contending capitalist factions. It is high time, therefore, that the working class should be effectively warned that the tax issue can never be laid to rest by their support.

The tax question can be laid to rest only by the withdrawal of working class support from tax campaigns and tax issues. It can be put to rest by pushing the real issue to the front. The Socialist Labor Party has bent its forces to this task, the task of demolishing false issues, of relegating unimportant issues to unimportant positions, and of demanding a clear field for the burning issue that turns upon the all-important matter of industrial administration, the issue of Industrial Democracy vs. Industrial Feudalism, the issue of Socialism vs. Capitalism.

In the performance of this great task of political clarification the Socialist Labor Party has, unfortunately, no political ally. At the very inception of the so-called Socialist Party the men who were to become the leaders of that party began by running amuck on the question of taxation—with what disastrous effect is illustrated by the confessions of the ex-secretary of the Socialist Party Mayor Lunn of Schenectady, N. Y., Walter Lippman. From that day to this they have sinned hardly more gravely by demanding Government Ownership instead of Industrial Democracy, and by the falsity of their other aspirations, than they have by pushing to the front all manner of petty questions to obscure and befog the real issue of Socialism vs. Capitalism.

The Socialist Labor Party, then, takes up the tax question not to emphasize it, but to relegate it. In order to do that the Socialist teacher must know exactly the why and the wherefore of each separate phase of the tax question in all of its ramifications, that he may lead the tax-puzzled workingman out of his bewilderment. It is to accomplish that end that this pamphlet is published and circulated.

NEW YORK LABOR NEWS COMPANY.

New York, July, 1912.

Taxation

THE NECESSITY OF TAXATION.

It requires enormous amounts of money to maintain the various Governmental institutions of the land. This necessary money the Government obtains by the collection of taxes.

The income of the National Government consists of internal revenue collected mainly from the liquor and tobacco trade, and of import duties. The expenses of State and Local Governments are met by taxes levied upon the real estate within the respective borders and upon the personal property of the inhabitants. Some additional income is derived through the collection of a variety of fees and fines.

A minimum amount of personal property, such as necessary household effects, and so forth, is exempt from taxation.

In politics the question of taxation, the manner and method in which taxes are collected, and the way the realized moneys are afterward expended, has become a perpetual issue. There is not a political campaign in which the tax question does not loom up in some form or other. Candidates for office will promise, and pledge themselves, to work for "just and equal distribution" of the tax burden and also see to it that "the people's money" in the governmental treasuries is properly guarded, "economically expended" and the largest possible results obtained. In fact, a "Business Administration" is regarded as the very last word in good government.

One result of this persistent discussion of the question of taxation is the highly indignant attitude with which wage workers face this subject. Their anger is aroused when they are confronted with facts that prove the unjust distribution of the tax burden. Rich and powerful corporations and individual capitalists, whose demands upon the Government for protection of their interests, both at home and abroad, are the heaviest and

always the first considered, are the most unscrupulous tax dodgers on record. As a rule, they manage to roll quantities of their share of the taxes upon the shoulders of others. The vastness of their possessions, together with the nature of their holdings in properties that are in the form of stocks, bonds and mortgages, gives them ample opportunity for concealment and enables them successfully to side-step the more or less watchful eyes of the tax assessor. Downright fraud and perjury they commit with impunity. The Sugar Trust was but recently convicted of defrauding the Federal Government out of millions of import duties by "adjusting" the scales on its docks.

But the expenses of Government must be met, and it naturally follows that that amount of taxes which the Big Interests dodge must be borne by those whose possessions are smaller and more tangible, and consequently more visible and more difficult to conceal.

The troubles and the struggles of the taxpayers do not end here. There is still more to contend with. The money that has been so reluctantly handed over by the taxpayers is now in the hands of politicians in public office. Eager office-seekers will scramble and vie with one another for a place at the political pie counter. Contractors and other capitalist interests that deal in things the Government needs are ever eager to land a contract or make a sale. A generous supply of "grease" to smooth uneven places in the path that leads to those who have power to grant contracts or make purchases for the Government, will help to gather handsome profits. And thus the poor taxpayers' money is wasted. Corruption in the handling of public funds is the rule. The very fact that an occasional administration, by performing its duties along that line with some degree of decency, will create a sensation throughout the land, proves that such is the exception.

THE WORKERS' RELATION TO THE TAX QUESTION.

Confronted with such a state of affairs it is not at all unnatural that the keen sense of justice and decency of an unsophisticated working class is offended; its anger is justly aroused, and wage workers allow the tax question to influence them in their political actions.

In doing so, however, they are wasting their time and energy; nay more, they are neglecting their own interests. While making other peoples' quarrels their affairs, they afford these very other people a free and undisputed field better to victimize and exploit the working class, which so thoughtlessly allows itself to be drawn into quarrels in which it has no material interest.

It makes no material difference to the working class who pays the taxes; whether it be the capitalists of large or those of small possessions.

There is one thing that every workingman knows. He knows that the working class has no property of any kind that can be taxed. It is a sad but uncontrovertible fact that the great majority of the people, the working class, the class whose labor produces all wealth, owns absolutely no wealth of any kind. The few pieces of household goods, which, in the first place, were of the cheapest kind and which at most times are in a perpetual state of collapse, are not wealth; they are junk. In matters of clothing and shoes it is not the supply on hand, but the lack thereof that causes the workingman worry and trouble.

The working class owns no taxable property, and therefore it does not pay any taxes. The taxes of the land are paid by those who own the property of the land, the capitalist class.

The average workingman, however, is prone to challenge that statement. He will argue that while it is true that the propertiless working class does not pay taxes directly, in the end it pays the bulk of all taxes indirectly. His notion on the subject is, that it is to his interest to keep taxes as low as possible. He holds that, for instance, the owner of the house in which he lives, no doubt, pays the taxes for the same; but the money with which he pays them he first collects from his tenant in the shape of rent; hence it is not the owner but the renter who pays the taxes.

This may sound plausible; but this very plausibility hides the error of the idea. No one knows this better than the landlord. He is ever ready to make use of the theory whenever he sees a chance to raise the rent, in order to lend a color of jus-

tice to his action. The high rate of taxes is very often the excuse of the landlord to raise rents, but not the cause thereof. Rents will rise or fall according to the supply and the demand of rentable places. If the demand for living quarters is brisk and the supply limited the landlord will extract as high a rent as conditions will yield, no matter whether taxes are high or low. If conditions, as above stated, will allow he will pull the shirt off his tenant's back, even if the Government paid him a premium for owning the property instead of collecting taxes for the same.

If there be any connection whatever between the rate of taxes and the rate of rent, it certainly is not that the rate of taxes determines the rate of rent. On the contrary, when the Government's agents, the appraisers of property for tax valuation, make their estimates they are, as a rule, guided by the amount of rent that such a property yields and fix the tax valuation accordingly. So, while it may be true that the landlord pays the taxes with part of the money which he has previously collected from his tenant, it makes no difference to the workingman tenant how much of that the landlord is compelled to hand over in taxes; he, the tenant, has already been held up and forced to yield his pound of flesh. Nay more; if this workingman tenant were of a vindictive nature he would be tempted to remark: "Serves the old skinflint right; soak it to him!"

THE RENTER AND THE HOME-OWNER.

Workingmen who live in rented quarters, and most of them do, are not taxpayers. They have no more interest in their landlord's tax burden than the sparrows that nest in the eavestrough. No matter how often he may offer the hypocritical excuse that he is compelled to raise rents because his taxes have increased, the landlord is not likely to reduce rents if he should succeed in reducing his taxes. Owners of renting property, whether large or small, are not going to take part in political agitation, contribute to campaign funds, and bribe, corrupt or coerce public officials to regulate their taxes downward, and, after they have succeeded in doing so, hand it over to their

working class tenants in the shape of reduced rents. Business is not done that way. The working class voters are merely used as political pawns. Having a vote, in fact being the voting majority, they are being double-crossed in tax reform politics; they decide the tax controversies between the large and small capitalist taxpayers, and are being blinded as to their own interests at the same time.

But what about the workingman who owns his own home, is not he a taxpayer? Yes, indeed, he is a taxpayer; but he will not be one very long. While his "shiftless" fellow workman, who pays rent, who has no other ambition than to sit and rest in his rented quarters, after a hard day's grind and toil of from eight to twelve hours' work in his capitalist master's shop, who is, as best he can, recuperating some of the used up tissues in the work of producing profits for his boss; who is perhaps enjoying his pipe and a good book, possibly reading some sound and instructive SOCIALIST LABOR PARTY literature; while he is doing all this his "thrifty" neighbor, who is, or rather hopes to be, a home-owner some day, is otherwise engaged—he is somewhere around his premises with a lantern, tinkering around his shanty. He is too "ambitious" to rest; too "level-headed" and busy to improve his mind; he is improving his property upon which some capitalist has plastered a mortgage. In the meantime, and just around the corner, stands waiting an enterprising undertaker. And when before very long additional gloom is added to the already too sombre atmosphere of a proletarian neighborhood; when a hearse stops at his door to receive his remains, his widow will scarcely realize enough from the equity that he owns in his home to buy him a decent lot in a graveyard.

Pity the workingman who is a home-owner and a taxpayer; who is buying a home on the monthly installment plan. Depending upon permanent employment and continued health, which indeed is a violent hope, trusting that the holder of the mortgage will not foreclose when inevitable, periodical delinquencies occur, in about fifteen or twenty years he will be a home-owner. And if the owner is not worn out by that time the home certainly is. The old shack is ready to tumble down

on him. He must therefore go to some Mortgage and Loan institution, which exists for his special convenience and well-being, borrow money to build another house and repeat his former experience. Finally, when he dies he leaves to his heirs as a legacy—the mortgage.

In most of the large cities the question of "home owning" on the part of the workingmen does not enter into the discussion. For various reasons the prospect of wage workers owning their own homes is simply impossible. But in smaller towns, and even numerous large cities, the energies and aspirations of many workingmen are directed toward independence from the landlord. Upon investigation it is hard to decide which one of the two, the one who pays rent or the one who pays off the mortgage, is the worse off. It would appear that when peace of mind and the added impulse and incentive on the part of the prospective home-owner still further to stint himself and his family of the common necessaries of life in order to meet his obligations, are considered, the renter seems to have the better of the argument.

However this may be decided, both must pay for shelter, one in the form of rent, the other in interest upon the mortgage; both are equally dependent upon the employing class for a job, for a chance to live at all. Their interests are identical as wage workers, and as such they should seek to further those interests:—not from the standpoint of taxpayers, but from the standpoint of members of an exploited working class.

The argument mainly used by politicians, when attempting to have workingmen see things through the spectacles of a taxpayer, is that every time a workingman buys a pair of shoes, a pound of meat or flour or anything that he needs for his daily living, the taxes of the country are being collected from him through the various channels of trade by an additional margin that is being added to the prices which he pays for the articles of his daily need. From this the workingman concludes that if taxes were lower the prices that he pays would be correspondingly lower, and hence, with his weekly wage, he could procure correspondingly more or better food, clothing and shelter.

Even if such were the case, the propertyless wage earner would only be interested in the sum total of the taxes collected. To him it would make no difference how the tax burden was distributed between the big and the middle class capitalists. Why should he take up the cause of the latter? Indeed, why should even the middle class worry about it if in the end the tax burden is rolled upon the working class? If this theory were correct it should be immaterial to the little fellow in business how much the big interests shift the taxes upon them; all they would need to do would be to pass it on to the working class; all they need to do, to recoup their losses, is to raise the prices of the things in which they deal.

And why, on the other hand, should the big interests, the large and powerful corporations and individual capitalists, be so anxious to dodge taxes; why should they go to the length of swearing falsely to statements of their wealth when the same are being prepared for the purpose of tax valuations? If it were but a matter of adding the amount they pay in taxes to the prices of the commodities which they manufacture or deal in, they surely are in a better position to do so than the little man in business. They then could reimburse themselves in a legitimate manner without the violation of any laws upon the statute books. No matter how unscrupulous the capitalist may be, he is not likely to violate the law, which he so strenuously claims to uphold, unless his interests require it.

Or furthermore, if, in the last instance, it be the working class that bears the burden of the taxes, why not go at the thing more directly by simply collecting the necessary amount from them on pay-day, or, in other words, why does not the capitalist class reimburse itself by reducing wages? Such a method would be much simpler and less costly than to corrupt public officials and subsidize the newspapers, or contribute so plentifully to campaign funds. The argument that the capitalist prefers to rob the wage worker in a more or less indirect manner, to pay with one hand and take with the other, does not fit the case. Later on it will be shown why it does not fit the case. The fact of the matter is that, taxes high or taxes low, taxes equally or unequally distributed among the taxpay-

ing capitalists, the working class is being skinned to the bone in either case.

TAX REFORM FRUITLESS FOR WORKERS.

The State of Ohio furnishes a case in point to prove the foregoing statement. An agitation along the lines of tax reform, covering a period of about ten years, has finally terminated in something really tangible. A special correspondent to the Cleveland, O., "Plain Dealer," from Columbus, O., published in its issue of December 24th, 1911, is certainly cheerful news to the man who groans under unjust tax burdens. Among other things one reads as follows:

"Property in Ohio worth hundreds of millions, that escaped taxation in the past, has been placed on the tax duplicate through the operation and application of the 1 per cent. law in the hands of the tax commission.

"The figures, now being compiled for the annual report of the commission, are startling in the showing they present. They will make the most choice reading the small taxpayer of the state has had supplied from the State House for a generation. Advocates of the new taxation law point to the figures and claim they answer every objection that has been urged at any time against it.

"The report will be issued early in the year, and will be filled with surprising statements. The figures tell the reason of high tax rates in the past. The showing is plain why the small home-owner has carried a tax that was burdensome, while the big corporation has had a rate that was trivial, compared with its opportunities for profits in the exercise of its business opportunities.

"More than fifty freight transportation companies, doing business in the state, and employing equipment of enormous value, had been suffered to go ahead year after year without paying a penny of tax or in any other way contributing to the revenues of the state. Over 100 corporations, owning and operating telephone and electric light plants, had been in business for from one to ten years without paying a cent of taxes. Three

railroad lines were operated in the state, with thousands of dollars invested, and had failed ever to make a return for taxation.

"As a result of the work of the commission the railroad companies of the state will pay in taxes this year $1,500,000 more than during the past years. Traction lines of the state paid last year on a total value of $15,000,000, but this year will pay on a value of $68,000,000.

"The Buckeye Pipe Co. last year paid on a valuation of $4,635,000, but this year it will pay on $28,281,806. Mineral land value in the state has been increased $17,850,623. The Pennsylvania Railroad increased from $53,000,000 to $184,000,000. The Baltimore & Ohio road from $19,000,000 to $90,000,000. The New York Central lines from $41,000,000 to $117,000,000. The electric lines of the state were raised from $6,000,000 to $28,000,000. The natural gas companies from $20,000,000 to $77,000, 000. The artificial gas companies from $251,000 to $1,100,000.

"Similar increases have been made in other lines of property, the idea being to get the real value of all the property in the state included in the total tax duplicate. The work of the commission never ends. It is still certifying the values of property uncovered to the auditors of the counties in which it is located. During the past week the auditor of one county received a certificate covering over $1,000,000 of value that had never been taxed before. Another county had overlooked a water works company doing business, while the commission found a value of $300,000 which it certified. Another county had a value of $50,000 on a lighting plant where the commission made an investigation and raised the value to nearly $1,000,000, fixing the value almost wholly on the financial showing made by the company."

These statements of the "Plain Dealer's" correspondent are no mere juggling with large figures. They are concrete facts which are corroborated by the further concrete fact that the tax rate for the City of Cleveland has dropped from $3.47 for every $100 worth of taxable property to $1.51. Every owner of property which is being rented by workingmen for living

quarters has had his taxes reduced considerably; in many instances as much as fifty per cent. But rents have not come down one penny!—on the contrary, the tendency is still upwards. And inasmuch as the city continues to grow in population there is no abatement in sight.

The merchants of the state, from whom the working class buys its supply of daily necessaries of life, have, no doubt, also been benefited by the new tax arrangement. While it is likely that their stocks of merchandise may have been appraised at a somewhat higher figure than formerly, it is certain that the increase does not compensate the decrease in the rate of taxation, that is, from $3.47 to $1.51. In fact, the general approval by the little fellows in business of the results of the new tax laws would prove that their taxes have been reduced. But they have failed to reduce prices. The high cost of living shows no signs of abatement. The working class in Ohio has not benefited in the least from the much praised readjustment of taxation for which it has been hustling and voting for the last ten years.

As in similar other instances, the circumstance is prominently mentioned that the little home-owner is decidedly a gainer. This is done to convey the idea that the working class has been benefited because those among them who own their own homes have had their taxes reduced. The City of Cleveland, though the sixth city in the country, is, due to its peculiar topography, a town of individual houses and cottages. The tenement-house mode of habitation is here an exception. Due to these conditions it is a veritable paradise for the allotment shark, and those that are imbued with local pride love to refer to Cleveland as the "city of home-owners." But after investigation one finds that all this is based more upon imagination than upon facts.

According to the report rendered by John A. Zangerly, the Secretary of the Board of Quadrennial Real Estate Appraisers of Cuyahoga County, upon completion of its labor and term of office in 1910, 38 per cent. of the people in Cleveland live in their own homes. It is safe to assume that the greater portion of that percentage belongs to the capitalist class of either larger or smaller possessions. Deducting from the remainder those

workingmen whose homes are mortgaged, the remaining number that own unincumbered homes are so few that they really have no weight in the discussion.

THE SOCIALIST PARTY ON TAXATION.

A local paper of the Socialist Party which, of course, supports the theory that the working class is burdened by unjust taxation, comments at length upon the results of this tax revision. It criticizes the entire thing as a mere sop to the unthinking masses and maintains that the only relief to the burdened taxpayer can come through the Socialist Party. It makes, among others, these arguments:

"In order to partly pacify the small home owners, a state law has created a corporation tax; which latter fact alone made the present one, or rather, one and one-half per cent. tax law, at all possible.

"The common people are led to believe that the corporations are really paying the taxes. Indeed, one can even read this in some Socialist papers which claim to know everything better.

"A corporation tax, however, is nothing else but a tax upon trade and industry; it belongs therefore to the category of indirect taxes. Corporations simply add the same to the prices of their commodities and the consumer pays it in the end.

"Political economists, even those of the liberal school, have long since proven that there are only two direct methods of taxation which really reach the owners of property in proportion to the size of their possessions, and these are the progressive income and inheritance tax.

"Real and genuine relief for those who are suffering under an unjust system of taxation can only be expected from the Socialist Party."

In the first place let it be said that the Socialist Party, instead of clarifying the minds of the working class, is adding to the confusion. The idea that taxes placed upon the property of the capitalist class are shifted upon the shoulders of the working class by raising prices and thereby making the working class pay the same as consumers is false.

Every seller of commodities, whether he be an individual, small middle class dealer, or whether it be a large corporation, will naturally follow the good old business policy and get the highest possible price under any and all conditions. No matter how low the taxes, the capitalist will exact as high a price as the state of the market will permit. To sell goods at a lower price than the market will yield is, as a general proposition, an offense against good business that no shrewd capitalist will commit. There simply is no chance to recoup for a raise of taxes because the possibilities of the market are exploited to the limit. An upward tendency of prices may occur simultaneously with a rise in taxes, but that by no means proves that such is the result of the arbitrary acts of the capitalists. It would indeed be a bold suggestion to hold that prices would have remained stationary if the capitalists' taxes had not increased.

The attempt to shoulder a greater portion of taxes upon the big interests in the business world by means of a progressive income and inheritance tax might succeed and it might fail. If indeed it be true, as charged by the small fry business men, that the big interests have so far succeeded in evading their share of the tax burden, new tax laws will mean that they will adopt new tactics to get around the law. It is impossible to beat the capitalist at his own game. He owns the country and his influence determines the conduct of the Government. As long as the present system is in vogue, big interests hold both bowers and the joker against the little fellow, and the latter is euchered before the game starts.

WAGES AND PROFITS.

But all these evasions the working class can view with utter complacency. The conditions of the working class are miserable without question; but the system of taxation is neither the cause thereof nor is it contributory thereto. There is only one method whereby the working class can gain a livelihood, and that is by securing employment. There is no field of endeavor where competition is so keen as it is in the labor market. Utterly unable to eke out an existence save by the

sale of their services to the employing class, which controls the jobs because it owns all the means of production, the workingmen's price, or their daily wage, is subject to the law of supply and demand in the labor market. And inasmuch as the supply of workingmen exceeds the demand for them, the workers' wage is so low that it yields to them no more than a poor existence at best.

The capitalist employer, when contemplating the hiring of workingmen, does not consult the tax duplicate for information as to the amount of wages that he should pay. He studies the condition of the labor market and will pay the lowest possible price for the particular kind of labor that he needs. And if ever he should make a miscalculation and bargain to pay a higher price than necessary, or if temporarily he is so situated as to be willing to pay a somewhat higher price than ordinarily, in order to overcome a passing difficulty, he will soon rectify the error or adjust his affairs and get down to normal.

The normal condition of the present capitalist system operates against the interests of the member of the working class. As a buyer of the daily necessaries of life the capitalist sellers will charge him the highest possible price that the condition of the market will allow, whether taxes are high or low, or whether they are equally or unequally distributed among the capitalist taxpayers. To the wage worker, seeking employment, the capitalist employer will pay the lowest possible wage that the conditions of the labor market permit, no matter what the taxes may be or how they are paid.

Due to this operation of the capitalist system the working class is forced to accept a very small portion of the product of its labor; the largest part goes to the capitalist class as profits. Students of statistics place the proportion as one-fifth to the working class for wages and four-fifths to the capitalist class in profits. With this four-fifths of the wealth withheld from the working class the capitalist class does various things. The luxurious life of idleness and debauchery, the fine mansions and automobiles, the costly yachts and racing stables, together with the ostentatious display of wealth in the form of priceless jewelry and fine raiment, is being paid for with wealth

that the working class has produced but never gets. The taxes of the country come from the same source.

It needs no argument whatever to convince any workingman that his condition would not be improved in any way if the capitalists were to spend less money for their own pleasure. That would by no means imply better or more comforts for the working class. All that that would mean would be that the capitalists' pile would grow that much faster. The same argument applies to taxes. Lower taxes would not put anything into the pockets of the workingman. It would only mean that more could be spent for the above-mentioned luxuries of the rich, or that more could be added to their large hoards. Taxes, like all the other things mentioned, are being paid for with wealth produced by the working class that is stolen from it in the first place. It is not good sense nor to the interests of the workers to worry as to how the plunderers spend or divide the plunder, but to assert themselves to the end that the plunder cease.

WORKERS ROBBED AS PRODUCERS, NOT AS CONSUMERS.

The working class is not being robbed as a consumer, or indirect taxpayer, which means the same thing, in the field of commerce and trade, but as a producer in the field of production, in the workshops, factories, mines, and railroads, and so forth, of the country. But the idea that the working class is not being robbed as a consumer seems rather foolish to the average workingman. This is not at all surprising. When he goes forth, with his week's wages in pocket, to purchase his supplies, there is waiting for him a hungry horde of shopkeepers. And he would better be wary and cautious. If the "sturdy and upright" middle class merchant sees a chance he will cheat his workingman customer blind without compunction. But our workingman is supposed to know the ropes and, as a rule, he does, and in the long run gets full value for his money. To what extent downright cheating is resorted to by middle class shopkeepers was demonstrated very recently by the administration of the City of Cleveland. In one of the rooms of

the City Hall were exhibited a choice lot of weights and measures confiscated by the city sealer. All manner of measures, from pints to bushels, could be seen with false bottoms and other deceptions; scales and weights that registered from one to four ounces short to the pound testified to the "scrupulous honesty" of the small man in business. And this is the class that cries "Thief!" and appeals to the working class to help it in its fight to make big interests pay their just share of taxes!

Another reason why it is hard for the average workingman to comprehend that he he is not being robbed as a consumer, but as a producer, is the fact that only due to the circumstance that he is a consumer can he at all be robbed as a producer. If it were not for the ever present appetite that craves food, and the inclemency of the climate that makes clothing and shelter necessary; in short, if the workingman had no wants that must be satisfied, no capitalist boss in the country would get a chance to rob him in the workshop as a producer. It is the consuming proclivity of the working class that furnishes the handle by which its nose is being held to the grindstone of production.

Hunger is the terrible and irresistible force that renders the working class pliable to the needs of capitalist interests. Driven by that force, labor takes the fearful risks of the mining industries, the railroads and all the other industries in which conditions prevail where the hired wage slave, for a few cents per hour, will risk limb and life. In spite of the hundreds and the thousands of workingmen killed and maimed in mines and railroads every year, in spite of the unhealthy condition of most of the industrial establishments, where the workers' health is gradually undermined and their lives correspondingly shortened, there is no dearth of applications for vacant places. In fact, the dangers and risks encountered are not taken into consideration; if considered at all, they are regarded as a matter of course. The main object is to get a job and to hold it against competition when once procured. Hunger, furthermore, is the force that will drive men and women, when unable to secure employment, to the extremes of crime and prostitution.

Such is the economic distress under which the working class exists.

Let us now assume that, in spite of all that has been said, an adjustment of taxation would lower the cost of living to the working class. The result would be that the keen competition in the labor market would bring the price of labor (wages) down to the correspondingly lower cost of living and the working class would be no further ahead.

The result could not be otherwise. The army of unemployed, a perpetual condition under capitalism, drives the unfortunate wage workers to such extremes as above stated, and even to the extent of begging to be locked up in jails and workhouses in order to escape the intensified conditions brought on by the rigors of winter seasons. The logic of facts cannot be refuted that an easing up of the distress by a cheapening of prices could be of no benefit to the working class, when hunger dictates its acts in the competitive struggle in the labor market to the point of establishing the maxim, that he who works the cheapest gets the job.

EXPENDITURES OF TAX MONEYS.

That feature of the tax question, which concerns itself with expenditures of public funds after taxes have been collected, interests the working class no more than the raising of the same. The "people's money" in the governmental treasuries is just as far out of the reach of the working class as are the funds in the private vaults of the capitalist employers. Corruption in public office, the mismanagement of public funds or misappropriations and stealing of tax moneys does not take anything away from the working class, because the pockets of that class have already been so thoroughly cleaned out that there is nothing left.

It is, however, claimed that tax money could and should be expended in a manner beneficial to the working class. Political reform parties often make that phase of the proposition their important issue. Clean streets and other sanitary arrangements in proletarian neighborhoods are certainly very desirable, and working class quarters are, as a rule, neglected

in that respect in favor of other sections of cities. Now, the reason that workingmen live in such neglected parts of town is, that they cannot afford the higher rates of rent in the more desirable sections. If a city administration were to expend some of the tax money for a general housecleaning of a proletarian district, the demand for quarters would immediately increase and the landlords would be the gainers, but not the workingman. Rents would be sure to go up. Clean streets, sanitary conditions, nice surroundings, beautiful parks, and all other propositions of the same nature are certainly necessary and worth while, but all these things do not seem to cover the case of the man out of a job or in constant danger of losing it. He who would suggest a haircut and shave to a man who is asking for a loaf of bread, is not only mocking distress, but is evading the unfortunate's petition.

Tax moneys expended for municipal coal and wood yards, or for establishing city ice houses and other semi-charitable and paternal institutions, where the poor may procure these respective necessaries of life at cost, or at a reduction of prevailing prices in the open market (propositions largely and loudly advocated by the Socialist Party), could have but one result—cheaper living to the workers means cheaper wage slaves to the capitalist masters.

Turn whatever way one will, the interests of the working class are outside the sphere of taxation. To say that governmental institutions for the care of the aged and infirm, the public soup-houses, and other municipal institutions of charity, where the unfortunate unemployed take their places in the bread line, are the result of tax money expended in the interest of the working class, is so much sophistry. The aim and ambition of every self-respecting workingman is not to take advantage of these provisions, but to avoid them. Such institutions are not maintained for the benefit of the poor, but rather for the self-protection of the rich. If it were not for these, our capitalist masters might be disturbed and annoyed in the enjoyment of their stolen plunder by the consequences of unrelieved distress.

But lest we forget, let it be said that considerable sums of

the taxpayers' money are frequently spent directly and without stint upon the working class. When conditions in the workshops or other fields of production and distribution, where the robbery of the working class is being perpetrated, become so unbearable that protests in the form of strikes become unavoidable, public funds are available in plenty for the hire of police, deputy sheriffs, and the militia. It is there that the workers become direct recipients of the disbursements of the taxpayers' money.

SOCIALIST LABOR PARTY'S WARNING.

The SOCIALIST LABOR PARTY holds that the only relief for the working class lies in the abolition of the capitalist system. Any political party of reform that promises, or claims to be able, to further the interests of the working class along the lines of tax reform is deceiving the working class with middle class issues; it is betraying an unfortunate proletariat.

APPENDIX

Who Pays The Taxes?

By Daniel De Leon

BROTHER JONATHAN—I have joined the "Tax Reformers' League of Taxpayers."

UNCLE SAM—What on earth have you, a workingman, got to do with tax reform and taxpayers?

B. J.—Am I not a taxpayer?

U. S.—Not that I know of.

B. J.—Why, of course I am.

U. S.—Do you own any land?

B. J.—Go away, no!

U. S.—Do you own houses?

B. J.—Stop your guying; of course not!

U. S.—Do you own any other property on which taxes are levied—say jewelry, fine furniture, machinery?

B. J.—Now, don't go on that way; you know I am as poor as a church mouse.

U. S.—Which is another way of saying as poor as a workingman or wage slave, eh?

B. J.—Yes, certainly.

U. S.—This being thus, what do you pay taxes on, pray?

B. J.—Am I not a workingman?

U. S.—Yes.

B. J.—Is not labor the producer of all wealth?

U. S.—Yes.

B. J.—Are not taxes wealth?

U. S.—Yes.

B. J.—Why, then it follows that I, as a member of Labor, pay the taxes, and that lower taxes will make me better off.

U. S.—Oh! Did you read the account of our employers' ball last week, how my employer's wife had a diamond necklace on, worth $5,000?

B. J.—Yes, and my employer's wife had on a Brussels lace bodice worth $6,500?

U. S.—Are that diamond necklace and that Brussels lace bodice wealth or not?

B. J.—Wealth, of course.

U. S.—Produced by labor or produced by capital?

B. J. (with a look of disgust)—"By capital"? Of course not; by labor.

U. S.—Now, suppose your employer and mine had not bought that necklace and bodice, would you and I be in pocket the amount of money that they cost? Would we be the possessors of that $11,500? Would our wages have gone up any higher?

B. J. (scratches his ear, and after meditating a while, during which a drop of perspiration appears on his forehead)—No. We would not have been in that much more money. Our wages would not have been any higher. We would have been just as badly off as we now are. It would have made no difference to us.

U. S.—Yet that necklace and bodice are wealth, and, as such, are the product of labor.

B. J.—Yes, they are.

U. S.—Would you, in the face of these facts, say that, seeing luxury is wealth and labor produces all wealth, therefore you pay for luxury, and lower or less luxury will make you better off?

B. J.—I wish there were something around here that I could sit on. I feel my head swimming.—This thing looks mixed up.—Let me see.—As Labor produces all wealth, and diamond necklaces and Brussels lace bodices are wealth, it does seem as if Labor paid for them.—But yet——

U. S.—Go on; guess you are on the right track——

B. J.—And yet I feel mixed up.—Let me see.—If I am the

man who pays for a thing, then it must follow that if the thing is not bought, I have not paid for it, and I must be in pocket the money that the thing would have cost.

U. S.—Correct! Go on, my boy, you are doing first rate, though rather slow. Go on.

B. J.—If, then, I am no more money in pocket in case the thing was not bought—then (very deliberately)—I can't be the one that pays for it. Ain't it?

U. S.—Just so. Go on!

B. J.—I can't. Here I am stuck fast. Help me out if you can. I feel like one sinking in quicksand.

U. S.—Just hook on to me, and I'll pull you out. If I go faster than you can hang on, sing out, and I will slack up. Now listen. Your pickle comes first from the wrong, the misleading use you make of the word PAY. Now, hold tight! Does a man PAY out of what he HAS NOT or out of what he HAS?

B. J.—How can a man pay out of what he has not? He pays, of course, out of what he has.

U. S.—Correct. Now, did we ever have in our hands the $11,500 that our employers expended in Brussels lace bodices and diamond necklaces?

B. J. (decidedly hot under the collar)—Did we? No, by thunder!

U. S.—I am glad of your emphasis. Now stick a pin there. We did not pay for them for the simple reason that we did not have the wealth to pay with. This clears up the point why less luxury enjoyed by the employer does not mean more wealth left to us. Whether the employer indulges in luxuries or not, and whether he drops one kind of luxury and changes it for another, we are no poorer and no richer, because these luxuries are paid for by wealth that never was in our hands.

B. J.—That's certainly so.

U. S.—Now hold tight again. We are now approaching the roughest part of the road. Our capitalist employer does not work; consequently he does not produce any wealth. Nevertheless, he has all the wealth needed to buy luxuries with. As labor is the sole producer of all wealth, and our employer, who is an idler, cannot produce any, it follows that the wealth

he buys the luxuries with, he must have gobbled up from us, his workingmen, who produced it.

B. J.—Just so.

U. S.—Hold tight!! Here we are face to face with the central problem. We are the sole producers of all wealth; the employer, despite his being an idler, has the bulk of it to pay with for luxuries. He must have gobbled it up, and from us. But it never was in our hands. When, where, and how did he do the gobbling up? Upon the correct answer to this question depends the solution of the problem of taxation, and the wisdom or folly of much of the tactics of the Labor Movement.

B. J.—Yes; **where, when** and **how?**

U. S.—**Where? In the shop. When? On pay day. How? Through the system of capitalism or wage slavery.**

The wages we are given are only a small part of the wealth we produce. These wages represent the price of our labor in the market. Labor, under this system of wage slavery, is not considered a human being at all; it is only a merchandise. The value of all merchandise depends, broadly speaking, upon the cost of production. So with us, the merchandise Labor. Our price, that is, our wages, is simply the cost of keeping us alive and able to procreate. This is the law of wages, and thus it comes that although we produce all the stupendous wealth of the nation our share is small; and that just in proportion to the increased wealth we produce, our share becomes smaller.

B. J.—Heaven knows, that's so.

U. S.—Now you know the **where, when and how** of the gobbling up.

B. J.—Yes.

U. S.—Knowing it, you can no longer feel stuck at the sight of the fact that although we are the sole producers of all wealth, we do not PAY for luxuries that our employers indulge in. Those luxuries are paid for with wealth that we produce, but they are not paid for by us because the wealth that buys them is stolen from us before it reaches our hands: they are paid for by that portion of our product that is stolen from us anyhow.

B. J.—But——

U. S.—One moment. You may consider this position too technical to be worth insisting on——

B. J.—That's just what I was going to say.

U. S.—Nevertheless, it is important for several reasons. It follows from that strict statement:

1. That whether the employer is a spendthrift or a miser, we are no better and no worse off.

2. That by knowing the exact place where we are robbed, we will not spend our efforts in a wrong direction, trying to better ourselves.

Apply these principles to the question of taxation and you will soon realize their far-reaching importance.

B. J. (puckers up his brows.)

U. S.—For the same reason that we could not have paid for the diamond necklace and Brussels lace bodice of our employers' wives, the working class cannot have paid these taxes.

Secondly, the share of the wealth that the workingman enjoys depends upon the law of wages, which, you now know, depends upon the cost of production, just as with any other merchandise. Lower the cost of the necessaries of labor, and it follows the price of labor will sink proportionately. The lower the taxes, the lower is the cost of the necessaries of labor; consequently, low taxes will send still lower down the percentage of the share that Labor will keep, under this capitalist system, of the fruit of its toil.

Say that the workingman needs just one loaf of bread to live on. If that loaf of bread costs 5 cents, his wages must be 5 cents; he produces 100 cents worth of wealth; out of that he receives the 5 cents for the loaf, and the employer keeps 95 cents profits.

Say the cost of the loaf is raised to 25 cents because of a tax of 20 cents on it. The cost of Labor now becomes 25 cents and his wages must rise to that point, or he dies. What is the situation? The worker produces 100 cents, receives 25 cents as wages; he is no better off than before, because that 25 cents can only pay for one loaf, just as the 5 cents did before. But the employer only keeps 75 cents profits, whereas before he made 95 cents; who paid the taxes, you or he?

B. J.—He, by Jericho.

U. S.—And say that taxation is lowered and the loaf costs only one cent. Will you be in 24 cents? No, as the cost of Labor has come down to one cent, one cent will have to be your wages, while the employer will then make 99 cents profits. Are you in either case better off or worse?

B. J.—In no way. But why, then, all this row about taxation?

U. S.—The row is between the capitalists. It is a row as to which of them will preserve the biggest share of the hide of the workers. The politicians want higher taxes because then they will have higher salaries and perquisites; but the "reformers" want low taxes because that means they will keep for themselves a larger share of the profits they have skinned the workers out of and that otherwise would go to the politicians, and so on.

B. J. (smiting himself on the forehead)—Heavens, how those reformers have played me for a sucker.

U. S.—No doubt they have.

B. J.—All their talk about Labor being crushed by taxes was pure buncombe!

U. S.—Nothing else. By understanding that Labor is robbed in the shop, the worker will devote his energies to vote himself into possession of the shop. He will not be caught in the trap of the lie that he pays the taxes; he will not be the cats-paw of "reformers" and other capitalist swindlers. That is why it is so important to emphasize the fact that, under this capitalist system, Labor does not pay the taxes, but they are paid out of that part of the product of labor that the working class is robbed of anyhow by the capitalist class.

B. J. (as mad as he can stick)—The first reformer or his heeler who talks taxation to me will get his nose punched flat.

U. S.—Would be no more than he deserved.

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